

COUNTY OF LOS ANGELES

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Director

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Chief Deputy Director

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Medical Director



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DEPARTMENT OF MENTAL HEALTH

<http://dmh.lacounty.info>

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601
Fax: (213) 386-1297

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

June 1, 2006

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JUN 20 2006

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

**REQUEST FOR FISCAL YEAR 2004-2005 RETROACTIVE PAYMENT
TO UNILAB CORPORATION dba QUEST DIAGNOSTICS
FOR CLINICAL LABORATORY SERVICES
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and delegate authority to the Director of Mental Health or his designee to prepare, sign, and execute an Amendment, substantially similar to the attached format, with Unilab Corporation dba Quest Diagnostics (Unilab) for reimbursement of unpaid clinical laboratory services provided during Fiscal Year (FY) 2004-2005 in the amount of \$70,000, funded by existing resources included in the Department's FY 2005-2006 Adopted Budget.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Board approval will enable the Department of Mental Health (DMH) to pay Unilab for clinical laboratory services provided during FY 2004-2005.

In FY 2003-2004, an Amendment request was submitted and approved for additional funding of \$110,000 (with the original expenditure of \$600,000) for DMH's Contract Agreement with Unilab. It was the intent of DMH to have this same request applied to the three (3) outstanding years remaining on the contract; however, the request was misinterpreted and was not applied to FY 2004-2005.

"To Enrich Lives Through Effective and Caring Service"

The original five-year (FY 2001-2006) contract for laboratory services projected an annual expenditure of \$600,000. The projection was underestimated due to the rapid increase of atypical antipsychotic medications that became available during the time that this contract was in place. These newer medications provided great benefits (i.e., less side effects, greater patient compliance, etc.) for patients; yet associated with these medications was an increased need for laboratory tests, especially for monitoring endocrine and cardiac functions.

During FY 2004-2005, Unilab provided clinical laboratory services that exceeded the budgeted expenditure of \$600,000 by \$70,000. DMH intends to reimburse Unilab for the services it provided in FY 2004-2005. DMH has already initiated preliminary corrective actions and intends to further strengthen its internal controls to circumvent any future occurrences such as this.

Implementation of Strategic Plan Goals

The recommended Board action is consistent with the principle of the Countywide Strategic Plan Organizational Goal No. 4 "Fiscal Responsibility." Board approval of this action will allow DMH to pay Unilab for clinical laboratory services rendered in FY 2004-2005.

FISCAL IMPACT/FINANCING

The Maximum Contract Amount (MCA) for FY 2004-2005 was \$600,000. Unilab exceeded its MCA by \$70,000. DMH requests that retroactive payment be issued to Unilab in the amount of \$70,000 for the clinical laboratory services rendered in FY 2004-2005. This Amendment will be funded with existing resources included in the Department's FY 2005-2006 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

DMH will implement corrective actions and has already taken steps which include closer monitoring of expenditures, number and kind of laboratory tests performed, and number of patients served. DMH Pharmacy Services will work closely with DMH Contracts Development and Administration Division to ensure that expenditures are within the terms of the contract. Lab expenditures have been incorporated into the Clinical Snapshot statistic forms which are presented at monthly Clinical Policy Committee Meetings. Status updates will be presented at regularly scheduled meetings, which include weekly meetings with the DMH Office of the Medical Director's (OMD) staff. DMH Pharmacy Services will also ensure that it keeps OMD apprised of the fiscal

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impact on ancillary services as new products are accepted on the Department's formulary. In addition, DMH will include the 75 percent and six-month rule language in Paragraph 4, "Financial Provisions," Subparagraph B, "Reimbursement for Initial Period" in the new Clinical Laboratory Services Agreement format, and monitor its compliance in all current and future contracts.

CONCLUSION

The Department of Mental Health will need one (1) copy of the adopted Board action. It is requested that the Executive Officer of the Board notifies the Department of Mental Health's Contracts Development and Administration Division at (213) 738-4684 when this document is available.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Marvin J. Southard", followed by the word "for" in a smaller, less distinct script.

Marvin J. Southard, D.S.W.
Director of Mental Health

MJS:RS:WC:RK

Attachment

c: Chief Administrative Officer
County Counsel
Auditor-Controller
Chairperson, Mental Health Commission

ATTACHMENT

CONTRACT NO. _____

AMENDMENT NO. _____

THIS AMENDMENT is made and entered into this ____ day of _____, 2006, by and between the COUNTY OF LOS ANGELES (hereafter "County") and _____ (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated _____, identified as County Agreement No. _____, and any subsequent amendments (hereafter collectively "Agreement"); and

WHEREAS, for Fiscal Year 2004-2005 only, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, for Fiscal Year 2004-2005, County and Contractor agree that Contractor did provide unpaid clinical laboratory services during Fiscal Year 2004-2005 that exceeded its Maximum Contract Amount of \$600,000; and

WHEREAS, for Fiscal Year 2004-2005, County and Contractor agree to add \$70,000 to the Agreement to reimburse Contractor for unpaid clinical laboratory services; and

WHEREAS, for Fiscal Year 2004-2005, the revised Maximum Contract Amount will be \$670,000.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. Paragraph 4 (FINANCIAL PROVISIONS), Subparagraph C (Reimbursement If Agreement Is Automatically Renewed), Section (3) (Reimbursement For Third Automatic Renewal Period) shall be deleted in its entirety and the following substituted therefor:

"C. (3). Reimbursement For Third Automatic Renewal Period: The Maximum Contract Amount for the Third Automatic Renewal Period of this Agreement as described in Paragraph 1 (TERM) shall not exceed SIX HUNDRED SEVENTY THOUSAND DOLLARS (\$670,000). Notwithstanding any other provision of this Agreement, in no event shall County pay Contractor more than this Maximum Contract Amount for Contractor's performance hereunder during the Third Automatic Renewal Period."

2. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

CONTRACTOR

By _____

Name _____

Title _____
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM
OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT
ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division

CK: (retro payment - Unilab AMENDMENT)